



**82ND INTERIM** ————— To Our Shareholders and Investors

# **KURODA ELECTRIC REPORT**

**82ND INTERIM KURODA ELECTRIC REPORT**

April 1, 2016 »» September 30, 2016



# TO OUR SHAREHOLDERS

## Greeting

We would like to express our sincere gratitude for your continued support.

Upon the conclusion of the first half of the 82nd term (from April 1, 2016 to September 30, 2016), we hereby report on our business results.

We look forward to your ongoing guidance and encouragement.



**Takashi Kaneko**  
Chairman & Chief Executive Officer

**Koichi Hosokawa**  
President & Chief Operating Officer

## Consolidated Results for the First Half of the Fiscal Year

During the six months ended September 30, 2016, the outlook for the Japanese economy became increasingly uncertain due to the impact from the appreciation of the yen since the beginning of the year coupled with the sluggishness of domestic demand. As for the overseas markets, although the US economy remained strong, the future outlook remained uncertain due to the slowing economies in China and emerging nations, as well as growing concerns of an economic slowdown in Europe due to the decision by the UK to withdraw from the European Union.

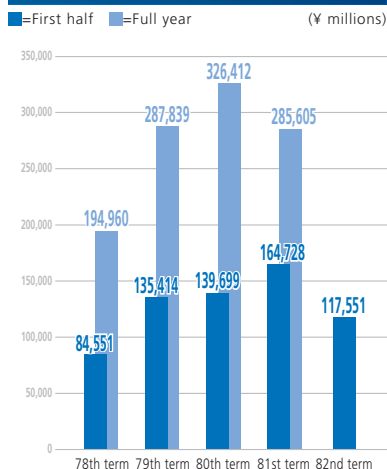
With regard to the business environment surrounding the Group, although the automotive-related business remained robust, the LCD-related business, which is the Group's main business, experienced a slump in demand due to major market

changes in Japan and overseas. Under these circumstances, the Group is working to restructure its business through the selection and concentration of core businesses, while also actively working to strengthen governance to increase corporate value under the slogan "A Challenge to Change Our Business Structure."

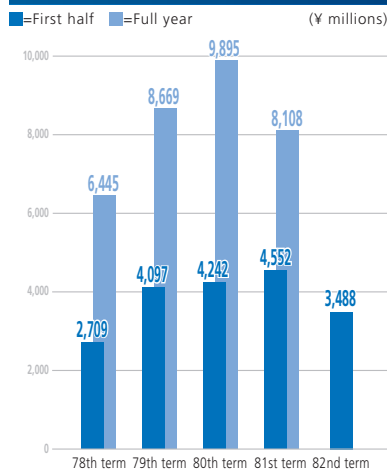
As a result, for the six months ended September 30, 2016, net sales amounted to ¥117,551 million (a year-on-year decrease of 28.6%), operating income amounted to ¥3,488 million (a year-on-year decrease of 23.4%), ordinary income amounted to ¥3,400 million (a year-on-year decrease of 25.0%), and profit attributable to owners of parent amounted to ¥2,385 million (a year-on-year decrease of 22.9%).

# FINANCIAL HIGHLIGHTS

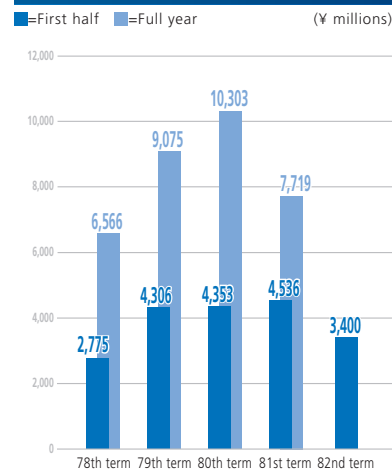
## Net sales



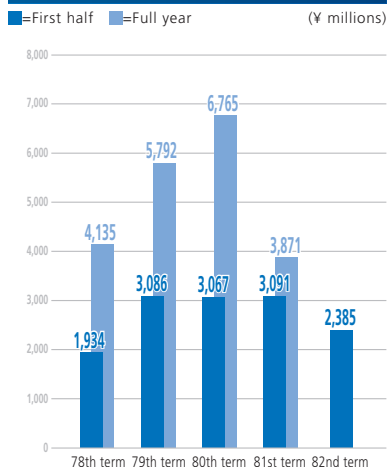
## Operating income



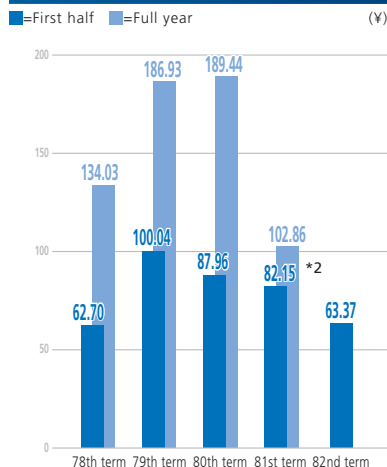
## Ordinary income



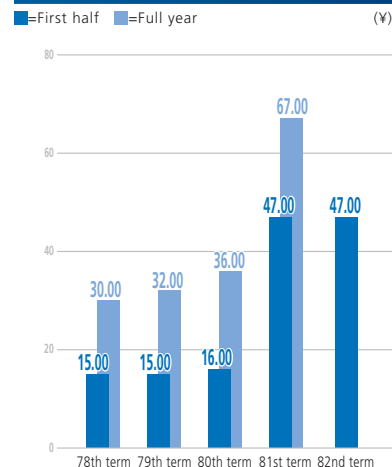
## Profit attributable to owners of parent



## Net income per share



## Dividend per share



## Full-Year Forecast\*1

<b>Net sales</b>	<b>¥260,000 million</b> (year-on-year decrease of 9.0%)	<b>Operating income</b>	<b>¥8,500 million</b> (year-on-year increase of 4.8%)	<b>Ordinary income</b>	<b>¥8,500 million</b> (year-on-year increase of 10.1%)	<b>Profit attributable to owners of parent</b>	<b>¥5,500 million</b> (year-on-year increase of 42.1%)
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\*1 Should any revision of the full-year consolidated business forecasts become necessary in light of future trends, an announcement will be made promptly.

\*2 The decrease in net income per share for the first half of the 81st term was due to the increase in the average number of outstanding shares during the period resulting from the exercise of subscription rights to shares.

# CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Balance Sheets (¥ millions)

科目	当第2四半期 As of September 30, 2016	前期 As of March 31, 2016
<b>Assets</b>		
Current assets	103,853	90,381
Cash and deposits	30,782	19,053
Notes and accounts receivable – trade	54,328	53,155
Inventories	13,665	15,379
Others	5,077	2,793
Fixed assets	22,918	24,433
Total assets	126,771	114,814
<b>Liabilities</b>		
Current liabilities	49,399	35,231
Notes and accounts payable – trade	40,581	28,257
Electronically recorded obligations – operating	3,010	1,623
Short-term loans payable	743	468
Others	5,063	4,881
Long-term liabilities	2,743	2,809
Total liabilities	52,142	38,040
<b>Net assets</b>		
Shareholders' equity	71,894	70,417
Capital stock	10,045	10,045
Capital surplus	9,918	10,074
Retained earnings	53,836	52,204
Treasury stock	(1,907)	(1,907)
Other comprehensive income	258	3,583
Non-controlling interests	2,476	2,772
Total net assets	74,628	76,774
Total liabilities and net assets	126,771	114,814

(Figures are rounded down to the nearest million yen.)

## Condensed Consolidated Income Statements (¥ millions)

科目	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Net sales	117,551	164,728
Cost of sales	106,683	151,702
Gross profit	10,867	13,025
Selling, general and administrative expenses	7,379	8,472
Operating income	3,488	4,552
Non-operating income	202	213
Non-operating expenses	290	230
Ordinary income	3,400	4,536
Extraordinary income	–	170
Extraordinary loss	10	146
Income before income taxes	3,390	4,560
Income taxes	917	1,351
Net income	2,472	3,209
Profit attributable to non-controlling interests	87	117
Profit attributable to owners of parent	2,385	3,091

(Figures are rounded down to the nearest million yen.)

## Condensed Consolidated Statements of Cash Flows (¥ millions)

科目	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Net cash from operating activities	14,565	2,950
Net cash from investing activities	(272)	(328)
Net cash from financing activities	(483)	(732)
Effect of exchange rate change on cash and cash equivalents	(997)	165
Net increase (decrease) in cash and cash equivalents	12,811	2,054
Cash and cash equivalents at beginning of year	16,836	15,204
Cash and cash equivalents at end of period	29,647	17,259

(Figures are rounded down to the nearest million yen.)

# REVIEW OF OPERATIONS

## Automotive

- Design and sale of automotive printed circuit boards (Trading Department and Design Department)
- Sale of LCD panels for car navigation systems, automotive electronic components, molded article, plastic materials, etc. (Trading Department)
- Manufacture and sale of aluminum die-casting products (Manufacturing Department)
- Manufacture and sale of metal molds and pressed parts (Manufacturing Department)
- Manufacture and sale of large-size plastic molds (Manufacturing Department)
- Manufacture and sale of metal-pressed parts and welding-processed products (Manufacturing Department)
- Manufacture and sale of plastic molded products (Manufacturing Department)

## Display

- Sale of LCD modules, peripheral components for LCD TVs, and optical films (Trading Department)
- Sale of LCD panels, processed film products, assembly parts for printed circuit boards, and parts for assembling modules (Trading Department)
- Manufacture and sale of alignment layer printing plates and printing presses (Manufacturing Department)

## HDD (Hard Disk Drive)

- Manufacture and sale of HDD components (Trading Department and Manufacturing Department)
- Manufacture and sale of assembly & inspection equipment for HDD units (Manufacturing Department)

## Mobile

- Sale of parts for smartphones, tablet PCs, personal computers, digital cameras, etc. (Trading Department)
- Manufacture and sale of plastic molded products and processed film products (Manufacturing Department)

## Overview of the First Half

[Trading Department]

Sales of electrical components and plastic materials were strong for both the domestic and overseas bases.

[Manufacturing Department]

Excluding the special factors of structural reforms implemented at a production base in Mexico and changes to a specified subsidiary in India, net sales were largely unchanged from the previous fiscal year.



## Overview of the First Half

[Trading Department]

Orders in the small- and medium-size LCD-related business for smartphones decreased significantly. In addition, the large-size LCD-related business also experienced a significant year-on-year reduction, partly due to the downturn in market prices.

[Manufacturing Department]

Although sales of printing presses increased, net sales remained unchanged from the previous fiscal year due to slowdown in sales of the mainstay alignment layer printing plates.



## Overview of the First Half

[Trading Department]

Sales of components by the Company decreased year on year due to a contraction in the global market for HDD-related business.

[Manufacturing Department]

Sales in components manufacturing remained unchanged from the previous fiscal year.

Sales of assembly & inspection equipment for HDD units, which were favorable in the previous fiscal year, showed a year-on-year decrease.



## Overview of the First Half

[Trading Department]

Net sales decreased year-on-year due to a reduction in orders for components for smartphones overseas.

[Manufacturing Department]

Net sales increased year-on-year as a result of increased orders for plastic molded products for tablet PCs.



# WORLDWIDE NETWORK

The global business environment is continuing to undergo complex and intensifying changes. Customers' needs have become diverse, and we must deal with all such needs in the areas of development, manufacturing, procurement and logistics. KURODA ELECTRIC's global network will flexibly cater to various business models and continue to increase customer satisfaction.

## Net Sales by Region (destination basis)

### Japan >>>

Net sales decreased year-on-year due to a significant decrease in orders in the small- and medium-size LCD-related business for smartphones.

### Asia >>>

Net sales decreased year-on-year due to a significant decrease in sales of large-size LCD panels.

### North America and Europe >>>

Sales were largely unchanged from the previous fiscal year.

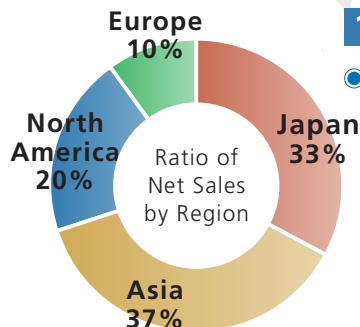
## North America

### 6 sales bases

- KURODA ELECTRIC U.S.A. INC.
- KURODA ELECTRIC U.S.A. INC. Tennessee Branch
- KURODA ELECTRIC U.S.A. INC. San Diego Branch
- KURODA ELECTRIC U.S.A. INC. Michigan Branch
- NANKAI Enviro-Tech Corporation
- Kuroda Electric Mexico S.A. de C.V. \*1

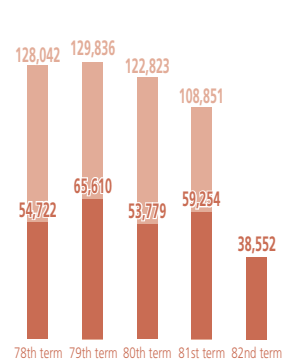
### 1 manufacturing base

- NANKAI Mexico, S.A. DE C.V.



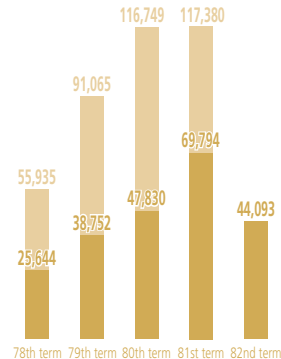
## Japan

■=First half ■=Full year (¥ millions)



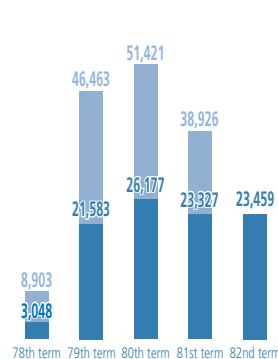
## Asia

■=First half ■=Full year (¥ millions)



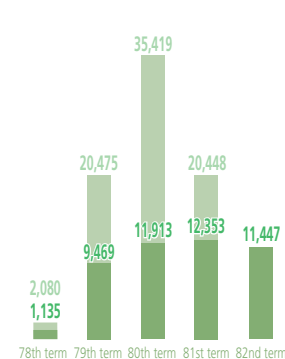
## North America

■=First half ■=Full year (¥ millions)



## Europe

■=First half ■=Full year (¥ millions)



## Europe

### 1 sales base

- KURODA ELECTRIC CZECH s.r.o.

## Asia

### 16 sales bases

- Z. KURODA (SINGAPORE) PTE. LTD.
- KURODA ELECTRIC (MALAYSIA) SDN.BHD.
- P.T. KURODA ELECTRIC INDONESIA
- Z. KURODA (THAILAND) CO., LTD. Bangkok Branch
- Z. KURODA (THAILAND) CO., LTD. Hanoi Branch
- KURODA ELECTRIC PHILIPPINES, INC.
- KURODA ELECTRIC KOREA INC.
- KURODA ELECTRIC INDIA PVT. LTD.
- Z. KURODA (HONG KONG) CO., LTD.
- KURODA ELECTRIC (SHENZHEN) CO., LTD.
- Kuroda GKM Co., Ltd.
- SHANGHAI KURODA TRADING CO., LTD.
- SHANGHAI KURODA TRADING CO., LTD. Nanjing Branch
- SHANGHAI KURODA TRADING CO., LTD. WUXI Branch
- TIANJIN KURODA TRADING CO., LTD.
- TAIWAN KURODA ELECTRIC CO., LTD.

## Japan

### 16 sales bases

#### 5 main logistics bases

#### 4 manufacturing bases

- KURODA TECHNO CO., LTD.
- KOMURA-TECH CO., LTD.
- SOHWA & SOPHIA TECHNOLOGIES CO., LTD.
- NICHIDO-DENKO CO., LTD.

#### 1 holding company

- Tenma-trust Co., Ltd.

#### 8 manufacturing bases

- PT TRIMITRA CHITRAHASTA
- Z. KURODA (THAILAND) CO., LTD.
- KURODA AUTO-TECH (THAILAND) LTD.
- BORAMTEK (VIETNAM) CO., LTD.
- ECOREA & KURODA ELECTRIC INDIA PVT. LTD. \*2
- RAINBOW METAL TECHNOLOGIES CO., LTD.
- KC AUTOMATION (SHENZHEN) CO., LTD.
- KURODA PRECISION TECHNOLOGY CO., LTD.

#### 3 management and administrative companies, etc.

- SHANGHAI KURODA MANAGEMENT CO., LTD.
- HiVAT Global Co., Ltd.
- Eco-Techwell Investment Inc.

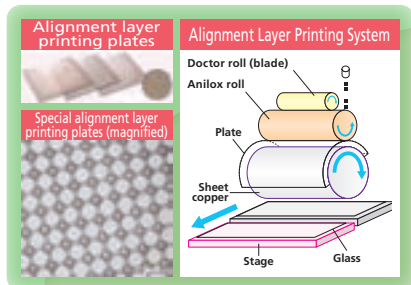
\*1 Non-consolidated subsidiary

\*2 Equity-method affiliate

# GROUP COMPANY INFORMATION (KOMURA-TECH CO.,LTD.)

\*We support the LCD display manufacturers throughout the world with advanced technological strengths, which make us the proud holders of the top global market share.

\*We support the future of printed electronics with flexographic printing.

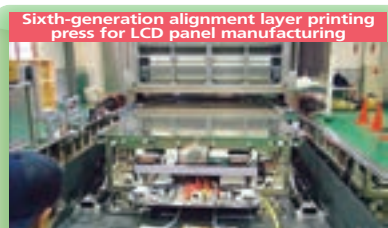


Flexographic printing

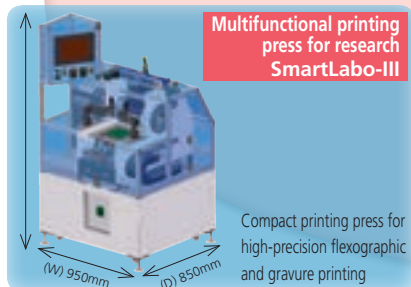


Market environment surrounding  
KOMURA-TECH CO., LTD.

Gravure printing



The total solutions with flexographic printing contribute to the narrowing of LCD TV and smartphone frames.

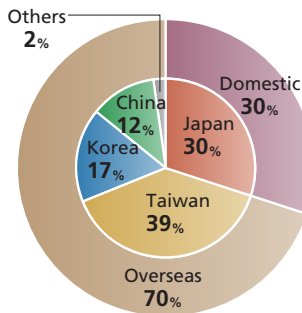


Development of printing devices

- Organic OLED
- Multilayer capacitor
- Touch panels
- Light control films
- New sensory displays (NINJA™)

Corporate name:	KOMURA-TECH CO., LTD.
Start of operations:	1980
Capital:	100,000,000 yen
Number of Employees:	100 (As of September 2016)
Stockholder:	KURODA ELECTRIC Co., Ltd. (100%)
Primary business:	Manufacturing and selling of alignment layer printing plates (special printing plates for LCD) Manufacturing and selling of gravure offset printing presses
Head office & Factory:	6-2-67, Naka-Ishikiri-cho, Higashiosaka City, Osaka
*Mechatronic Technology Center:	17-3, Roppo-cho, Inage-ku, Chiba-city, Chiba
*Nissho Komura Gakken Co., Ltd. Taiwan Branch:	12F-2, No. 41 Nanjing West Road, Taipei City, Taiwan
Market share:	Top global market share of alignment layer printing plates (85%)
Overseas net sales ratio:	70%
Main customers:	Domestic and overseas LCD manufacturers
Website:	<a href="http://www.komura-tech.co.jp">http://www.komura-tech.co.jp</a>

Overseas net sales ratio  
(as of the end of March 2016)



## What is Alignment Layer?

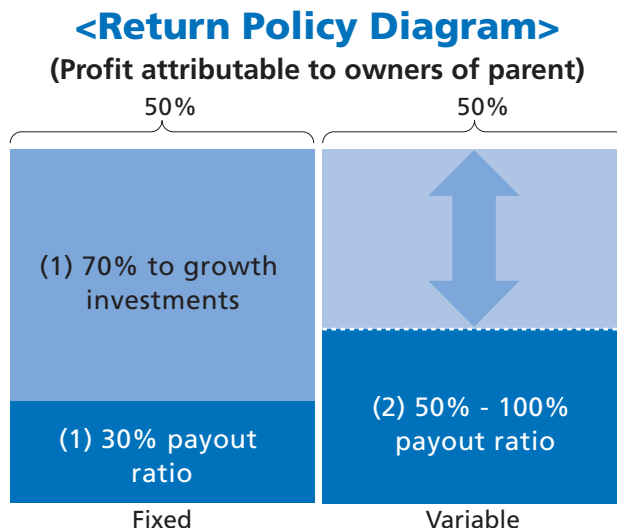
Alignment layer is a film that aligns liquid crystal molecules in a set direction on some particularly important layers comprised of liquid crystal panels. The film is generally coated with polyimides using various techniques. Because Komura Tech plates used in the flexographic printing process can produce a wide range of thin, uniform coatings (printing), they are used in liquid crystal panel plants around the world, making us proud holders of the top global market share.



## Return to Shareholders

We believe that the appropriate return of profits to shareholders is one of our most pressing management policies.

Our basic policy is to continue the stable distribution of profits from a long-term perspective, based on a comprehensive consideration of profitability for our shareholders, future business expansion, and the strengthening of financial structure of the Company.



- ▶ **The payout ratio will be at a level between 40% and 65%.  
Dividend per share: ¥47 for the first half, ¥48 for the year-end (forecast)  
¥95 for the full year (forecast)**

- (1) From the equivalent of 50% of “profit attributable to owners of parent,” the payout ratio will be 30%, and 70% will be allocated to growth investment.
- (2) From the remaining 50% of “profit attributable to owners of parent,” the Company shall decide on a payout ratio between 50% and 100%, after comprehensively determining the economic situation and the Company’s fund requirements at the time.

This policy is intended to actively implement returns to shareholders while taking into consideration opportunities for future growth investment based on trends in the capital market and the business environment going forward, and shall be applied from the 81<sup>st</sup> term to the 83<sup>rd</sup> term (from the fiscal year ending March 31, 2016 to the fiscal year ending March 31, 2018).

The dividend per share for the 81<sup>st</sup> term (the fiscal year ending March 31, 2016) was set at ¥67.

# CORPORATE SOCIAL RESPONSIBILITY



## Universal Primary Education

### Educational Support

Support for the Construction of Ban Parai Elementary School in Thailand

## Periodic Release of CSR Report

### Community & Household Activities

Environmentally-Conscious Action in the Home and Community

#### Kuroda ECO Point System

## Environmental Sustainability

### Environmental Contribution Activities

The Kuroda Electric Company Forest (Oume Tokyo, Kawanishi Hyogo)

\* "17 plans and 169 targets for sustainable development" adopted in 2015 as agenda to be achieved toward 2030 (Replacement of Millennium development plan)

## Educational Support

### Educational Support for an Elementary School in Thailand

We donated 45 abandoned bicycles to the Watdonputza School, an elementary school close to Rojana Industrial Park (\*). Although neglected bicycles are normally supplied to recycling shops for a fee, they were transferred to the Company from Shinagawa Ward free of charge on the condition that they are to be used for making a social contribution, and we sent them to Thailand.

After being inspected, repaired and cleaned by Z. KURODA (THAILAND) CO., LTD. (hereafter abbreviated as "ZKT"), which is located in Rojana Industrial Park, the bicycles sent from Japan were donated to a local elementary school where they were treated with great care.

"I can now go to school everyday thanks to the bicycle you donated." These were some of the words of appreciation we received from children who had difficulties going to school because of the distance they had to travel from their homes.

We will continue to provide educational support like this going forward.



## Community & Household Activities and Environmental Contribution Activities

### Environmental Contribution Activities with Elementary School Students in Thailand

Together with children from two elementary schools, ZKT employees planted trees in a municipal park located approximately 15 minutes by car from Rojana Industrial Park under an arrangement with the Thailand branch of OISCA (The Organization for Industrial, Spiritual and Cultural Advancement-International).

Since seedlings of low height are washed away in floods, we planted trees that were about 3 meters in height. Through activities such as tree planting and nature games, not only the children but also the ZKT employees were able to learn the importance of environmental preservation activities.



Rojana Industrial Park (\*): One of Thailand's largest domestic private industrial parks, located in Ayutthaya, of which 50% or more of the occupants are Japanese companies. Two of the Company's affiliates (factories) operate within the industrial park.

## 会社概要

Corporate Name	Kuroda Electric Co., Ltd.
Established	March 29, 1947
Capital	10,045.76 million
Number of Employees	327 (232 males, 95 females) 3,952 total employees including group companies

### Kuroda Group Network

<b>Domestic Network</b>	Sales Bases: 16 Logistics Bases: 5 Manufacturing Bases: 4 Holding Company: 1
<b>Overseas Network</b>	Sales Bases: 23 Manufacturing Bases: 9 Management and Administrative Companies, etc.: 3

**Head Office**  
〒140-0013  
5-17-9 Minami-Oji, Shinagawa-ku, Tokyo  
TEL: 03-5764-5500 FAX: 03-5764-1500

**Osaka Head Office**  
〒532-0012  
4-11-3, Kikawahigashi, Yodogawa-ku, Osaka  
TEL: 06-6303-1300 FAX: 06-6303-3078

## Officers

### Directors

Director	Takashi Kaneko
Director	Koichi Hosokawa
Director	Nobuyuki Kuroda
Director	Kunio Tsuneyama
Director	Shigetoshi Okada
Director	Atsushi Yamashita
Director	Shuichi Shino

Note: Messrs. Kunio Tsuneyama, Shigetoshi Okada, Atsushi Yamashita and Shuichi Shino are outside directors as stipulated in Article 2, Item 15 of the Companies Act.

### Executive Officers

Chairman & Chief Executive Officer	Takashi Kaneko*
President & Chief Operating Officer	Koichi Hosokawa*
Corporate Executive Vice President	Masami Murakami
Executive Vice President	Yoshinori Nakae
Executive Officer	Masahiko Kira
Executive Officer	Yasunobu Mori
Executive Officer	Shigeo Yamamoto

\* Concurrently serving as director

## Status of Shares

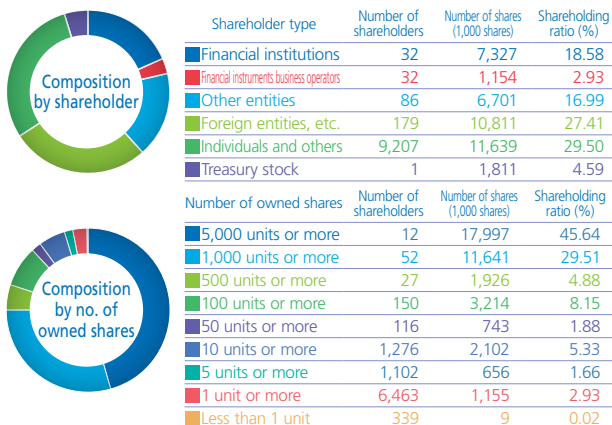
Total number of shares authorized to be issued	120,000,000 shares
Total number of shares issued and outstanding	39,446,162 shares (stock trading unit: 100 shares)
Number of shareholders	9,537

## Major Shareholders

Name of shareholder	Number of shares held (1,000 shares)	Shareholding ratio (%)
JAPAN TRUSTEE SERVICES BANK, LTD.	5,016	13.32
AYA NOMURA	3,722	9.89
RENO, INC.	3,484	9.25
THE MASTER TRUST BANK OF JAPAN, LTD.	1,106	2.94
J.P. MORGAN BANK LUXEMBOURG S.A. 380578	1,084	2.88
MINAMI AOYAMA REAL ESTATE CO., LTD.	1,076	2.85
STATE STREET BANK AND TRUST COMPANY	949	2.52
JP MORGAN CHASE BANK 385166	840	2.23
STATE STREET BANK AND TRUST COMPANY 505103	623	1.65
CITIZEN HOLDINGS CO., LTD.	600	1.59

(Note) 1. Shares have been rounded down to the nearest thousand shares.  
2. The Company owns 1,811,145 shares of treasury stock but is excluded from the ten shareholders noted above. The shareholding ratio is calculated after the deduction of treasury stock.

## Shareholder Composition



## Information for Shareholders

Fiscal Year	From April 1 to March 31
Shareholder Record Date for Year-end Dividend Payment	March 31
Shareholder Record Date for Interim Dividend Payment	September 30
Ordinary General Meeting of Shareholders	Annually in June
Stock Transfer Agent and Account Management Institution for Special Accounts	Mitsubishi UFJ Trust and Banking Corporation
Contact Information	Mitsubishi UFJ Trust and Banking Corporation Osaka Stock Transfer Agency 3-6-3 Fushimi-cho, Chuo-ku, Osaka 541-8502 TEL: 0120-094-777 (free dial)
Stock Exchange Listing	First Section of the Tokyo Stock Exchange
Media of Public Notice	Nihon Keizai Shimbun

### Notes

- Following the introduction of electronic share certificates, procedures for matters such as change of address of shareholders and requests for purchase are, in principle, handled by the account management institution where your account was established (such as a securities company). Please forward such related inquiries to the securities company or other institution that established the account, as these procedures are not handled by the Stock Transfer Agent (Mitsubishi UFJ Trust and Banking Corporation).
- Regarding procedures for matters relating to shares recorded in special accounts, Mitsubishi UFJ Trust and Banking Corporation is the Account Management Institution. Please forward related inquiries to the Account Management Institution for Special Accounts (Mitsubishi UFJ Trust and Banking Corporation) through the contact information written on the left. Please be informed that nationwide branches of Mitsubishi UFJ Trust and Banking Corporation also act as agents.
- Unclaimed dividend payments shall be paid to the head office of Mitsubishi UFJ Trust and Banking Corporation.



Various information for a better understanding of the Company, including the latest news and IR information, are posted on our website.

<http://www.kuroda-electric.co.jp/>

### Corporate Profile



### Information for Investors



KURODA ELECTRIC

Search

 **KURODA ELECTRIC Co., Ltd.**

〒140-0013 5-17-9 Minami-Oi, Shinagawa-ku, Tokyo TEL: 03-5764-5500 FAX: 03-5764-1500